

AMENDED IN ASSEMBLY JUNE 11, 2002

AMENDED IN ASSEMBLY JUNE 4, 2002

AMENDED IN SENATE JANUARY 29, 2002

AMENDED IN SENATE JANUARY 14, 2002

AMENDED IN SENATE MAY 31, 2001

AMENDED IN SENATE MAY 10, 2001

SENATE BILL

No. 444

Introduced by Senator Perata

February 21, 2001

An act to add Section 50662.8 to the Health and Safety Code, relating to housing assistance.

LEGISLATIVE COUNSEL'S DIGEST

SB 444, as amended, Perata. Disaster relief: owner-occupied dwellings.

Existing law establishes within the State Treasury the Housing Rehabilitation Loan Fund, a fund continuously appropriated to the Department of Housing and Community Development for, among other purposes, making deferred payment rehabilitation loans and deferred payment loans. Existing law authorizes financial assistance for the purposes of repairing, including reconstructing, owner-occupied dwellings and rental dwellings of 1 to 4 units that were damaged or destroyed as a result of a natural disaster resulting in a state of emergency.

Existing law provides that the outstanding balance of loans for owner-occupied dwellings becomes due and payable after 30 years or

when the borrower transfers ownership of the rehabilitated property or fails to occupy the rehabilitated property, whichever comes first. For rental dwellings the term of the loan is 20 years.

This bill would authorize loan assumption for loans for certain owner-occupied dwellings in specified circumstances. The bill would require the department to, among other things, with respect to these loans for owner-occupied dwellings generally, annually mail statements with specified information to the borrowers of the loans, and adopt a written application process and evaluation guidelines for borrowers pursuing loan subordination or assumption.

The bill would also authorize the department to delay the foreclosure of loans for owner-occupied dwellings if the department determines that its security interest is not jeopardized.

The bill would authorize the department to adopt guidelines to implement these provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 50662.8 is added to the Health and
- 2 Safety Code, to read:
- 3 50662.8. (a) Notwithstanding paragraph (1) of subdivision
- 4 (d) of Section 50662.7, with respect to any loans made pursuant
- 5 to subdivision (b) of that section prior to 1992 that were lifetime
- 6 deferred loans for victims of the Loma Prieta earthquake for
- 7 owner-occupied dwellings, the department may allow the loan to
- 8 be assumed, only if all of the following are true:
- 9 (1) The original borrower dies.
- 10 (2) The assumption is by a member of the original borrower's
- 11 household and is a spouse, domestic partner, or child of the original
- 12 borrower, or is the inheritor of the home. *original borrower.*
- 13 (3) The person assuming the loan will continuously reside in
- 14 the home as his or her principal place of residence. If the person
- 15 assuming the loan moves to another residence, the loan shall
- 16 become immediately due and payable.
- 17 (4) The total income of the household assuming the loan is at
- 18 or below ~~150~~ 120 percent of the area median income, adjusted for
- 19 household size.

1 (5) The assumption is for a period of five years, at the
2 conclusion of which the borrower must repay the loan.

3 (6) The person assuming the loan does not transfer the home to
4 any other person or entity.

5 (b) The department ~~shall~~ *may* not permit subordination of a
6 loan assumed pursuant to subdivision (a), except under the
7 following circumstances:

8 (1) The total household income of the borrower's household is
9 at or below ~~150~~ *120* percent of the area median income, or, in the
10 case of extreme hardship, where borrowing becomes necessary to
11 either protect the health and safety of the occupants, or pay health
12 care costs for the borrower's immediate family.

13 (2) The total principal of the loans senior to the department's
14 loan is unchanged or decreased and the department's security
15 interest is not jeopardized, as determined by the department.

16 (c) With respect to any loans made pursuant to subdivision (b)
17 of Section 50662.7 for owner-occupied dwellings, the department
18 shall do all of the following:

19 (1) Annually mail, by the end of January, to any borrower who
20 has an outstanding balance a statement that provides all of the
21 following information:

22 (A) The principal loan balance.

23 (B) The interest accrued to the date of the statement.

24 (C) The interest percentage rate.

25 (D) Payment instructions.

26 (E) Contact information, including a telephone number and
27 mailing address for borrower inquiries.

28 (2) By July 1, 2003, adopt a written application process and
29 evaluation guidelines to authorize the transfer of the borrower's
30 loan obligations described in subdivision (a) or the subordination
31 of the deed of trust. The department shall provide a summary of
32 this process and the guidelines with all statements mailed on or
33 before February 1, 2004.

34 (3) Mail to the party that applies to the department to
35 subordinate or assume the loan, the department's decision to
36 approve or deny the application within 60 days of receipt, along
37 with a statement of reasons for any denial.

38 (d) With respect to any loans made pursuant to subdivision (b)
39 of Section 50662.7 for owner-occupied dwellings, the department

- 1 may delay the foreclosure of the loan if the department determines
- 2 that its security interest is not jeopardized.
- 3 (e) The department may adopt guidelines for implementation
- 4 of this section.

